



# PRESS RELEASE

## Internal Revenue Service - Criminal Investigation *Chief Richard Weber*

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IRS – Criminal Investigation

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### **Two Attorneys Indicted for Multimillion-Dollar Scheme to Fraudulently Obtain Settlements from Victims Who Downloaded Pornography**

Two attorneys were charged today in a federal indictment for their roles in a multimillion-dollar scheme to fraudulently obtain settlement agreements from individuals who supposedly downloaded pornographic movies from file-sharing websites.

Assistant Attorney General Leslie R. Caldwell of the Department of Justice's Criminal Division, U.S. Attorney Andrew M. Luger of the District of Minnesota, Chief Richard Weber of the Internal Revenue Service-Criminal Investigation (IRS-CI) and Special Agent in Charge Richard T. Thornton of the FBI's Minneapolis Division made the announcement.

Paul R. Hansmeier, 35, of St. Paul, Minnesota, and John L. Steele, 45, of Florida, were charged in an 18-count indictment today for conspiracy to commit wire fraud and mail fraud, substantive wire fraud and mail fraud, concealment money laundering and conspiracy to commit and suborn perjury. Hansmeier was suspended from the practice of law in the state of Minnesota on Sept. 12, 2016.

"The role of IRS Criminal Investigation becomes even more important in complex financial investigations involving money laundering because of the time it takes to unravel the criminal scheme," said Chief Weber. "This case is an excellent example of the lengths to which individuals will go to defraud others in whatever way they can. We are committed to working these types of difficult financial investigations and following the criminal's money, wherever it leads."

"Abusing one's position as a licensed attorney and using the courts and legal process to file false and abusive copyright claims that threaten individuals and encourage fraudulent settlements is wrong and will not be tolerated," said Assistant Attorney General Caldwell. "The Department of Justice's action today demonstrates that we will act to protect the integrity of judicial proceedings against attorneys and others who would seek to use them as a mechanism for their own illegal gains."

"The defendants in this case are charged with devising a scheme that casts doubt on the integrity of our profession," said U.S. Attorney Luger. "The conduct of these defendants was outrageous – they used deceptive lawsuits and unsuspecting judges to extort millions from vulnerable defendants. Our courts are halls of justice where fairness and the rule of law triumph, and my office will use every available resource to stop corrupt lawyers from abusing our system of justice."

"The charges announced today describe a fraud scheme perpetrated by lawyers and officers of the court who abused their positions of trust for personal enrichment," said Special Agent in Charge Thornton. "The FBI remains committed to uncovering fraud such as this to protect the integrity of our civil justice system."

According to the indictment, between 2011 and 2014, Hansmeier and Steele, both practicing lawyers, executed a scheme to fraudulently obtain approximately \$6 million by threatening copyright lawsuits against individuals who supposedly downloaded pornographic movies from file-sharing websites. Hansmeier and Steele allegedly created a series of sham entities to obtain copyrights to pornographic movies that they uploaded to file-sharing websites and filed bogus copyright infringement lawsuits in order to learn the subscriber information associated with the IP addresses used to download the pornographic movies. The indictment further alleges the defendants used extortionate letters and phone calls to threaten victims with enormous financial penalties and public embarrassment unless they agreed to pay a \$4,000 settlement fee. To distance themselves from the specious lawsuits and any potential fallout, defendants created and used Prenda Law, among other firms, to pursue their claims.

According to the charges, after various courts began to restrict the defendants' ability to sue multiple individuals in the same copyright lawsuit, the defendants changed their tactics and began filing lawsuits falsely alleging that computer systems belonging to their sham clients had been hacked. To facilitate their phony "hacking" lawsuits, Hansmeier and Steele allegedly recruited "ruse defendants," who had been caught downloading pornography from a file-sharing website, to be sued in exchange for Hansmeier and Steele waiving their settlement fees while pursuing claims against their supposed "co-conspirators."

As alleged in the indictment, as courts began to uncover the defendant's unscrupulous litigation tactics, judges began denying the defendants' requests to subpoena ISPs, dismissing lawsuits, accusing the defendants of deceptive and fraudulent behavior and imposing sanctions against the defendants and their associates. For example, on May 6, 2013, the U.S. District Court for the Central District of California issued an order imposing sanctions against the defendants. In total, the defendants obtained approximately \$6 million from the fraudulent copyright lawsuits.

The charges contained in the indictment are merely accusations, and the defendants are presumed innocent unless and until proven guilty.

FBI and IRS-CI are investigating the case. Senior Trial Counsel Brian Levine of the Department of Justice's Computer Crime and Intellectual Property Section and Assistant U.S. Attorney Benjamin Langner of the District of Minnesota are prosecuting the case.

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